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C O N F I D E N T I A L CANBERRA 000543

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DEPARTMENT FOR T, IO/T, ISN/NESS, EAP

E.O. 12958: DECL: 06/09/2019

TAGS: KNNP PARM ENRG AS

SUBJECT: AUSTRALIAN RESPONSE TO NUCLEAR FUEL BANK DEMARCHE

REF: STATE 57598

Classified By: POLITICAL COUNSELOR JAMES F COLE. REASONS: 1.4(B), (D), (F)

¶1. (C) SUMMARY: Australia will be prepared to discuss the Nuclear Fuel Bank proposal at the June 11-15 IAEA Board of Governor's meeting in Vienna, but has reservations about the utility of the initiative, preferring to allow open market forces to provide an assured supply of nuclear fuel. Moreover, Australia doubts whether developing countries will be supportive, and will likely raise a number of questions that it would like to see addressed, possibly by a special working group. End summary.

¶2. (U) POL officers presented reftel demarche to John Sullivan, Assistant Secretary, Arms Control and Counter-Proliferation Branch, Department of Foreign Affairs and Trade, on June 5. Wendy Walsh, Executive Officer for Arms Control, DFAT, joined on the call.

¶3. (C) According to Mr. Sullivan, the GOA is open to discussing the development of a Nuclear Fuel Bank. Mr. Sullivan stated he understood the value of a fuel bank from a non-proliferation viewpoint, but expressed reservations over the need and utility of the initiative. He also stated that non-aligned countries may perceive the initiative is being pushed mainly by Western nuclear powers, and raised doubt about the level of interest among developing countries. Mr. Sullivan agreed that thought should be given to greater safety and security of plants currently in use, and that we need to get other countries interested in these issues, but said he was not convinced of the need for a fuel bank. Mr. Sullivan argued that the best way to maintain an assured supply was to have a good, functioning market in uranium.

¶4. (C) Mr. Sullivan stated that Western Australia was currently looking at expanded uranium marketing, based on the price/cost of mining. If the cost is prohibitive, they will not mine. However, Australia currently provides 1/3 of the world's supply of uranium.

¶5. (C) Mr. Sullivan enumerated several questions that would need to be answered in regards to a fuel bank: where would it be stored; what additional security measures would be required; where would the uranium come from; who would provide ongoing funding once stored; how will the bank be paid for; and who decides the amount of fuel to be allocated and to whom? He noted that Australia currently exports uranium with very strict regulations including requirements for negotiation of bilateral agreements and adoption of the Additional Protocol by the importer. He asked rhetorically whether Australia would lose some control under the fuel banA3\Qe safeguards are adequate.

¶7. (C) Mr. Sullivan suggested that one idea that might be

discussed at the June 15-18 Board of Governor's meeting would be to establish a working group to examine some of these questions.

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